



WILLIAM T FUJIOKA  
Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

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February 3, 2012

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To: Supervisor Zev Yaroslavsky, Chairman  
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Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

A handwritten signature in black ink, appearing to read "WTF", is placed next to the name and title of the sender.

### SACRAMENTO UPDATE

This memorandum provides information regarding the State's cash flow issues; the status of new redevelopment legislation, and County-advocacy legislation introduced in 2011; and a report on legislation of County interest related to human trafficking.

#### State Cash Flow

As previously reported, on January 31, 2012, State Controller John Chiang announced that the State will face a cash shortfall of \$3.3 billion by early March if temporary cash solutions are not adopted. In response, **SB 95 (Committee on Budget and Fiscal Review)**, was amended on January 30, 2012 as an urgency measure to allow the State Controller to borrow monies from various State highway and transportation funds for cash flow loans to the State General Fund.

SB 95 passed the Assembly Floor by a vote of 54 to 17 on February 2, 2012 and the Senate concurred in the Assembly amendments by a vote of 24 to 14 on the same day. This measure now proceeds to the Governor for signature.

In addition to the internal borrowing allowed in SB 95, the State will ask Wall Street for a short-term loan, have the University of California borrow on the State's behalf and delay payments to Medi-Cal hospitals and counties.

*"To Enrich Lives Through Effective And Caring Service"*

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**This office is working with the Departments of Health Services and Mental Health to determine potential impact to the County of the delay in Medi-Cal payments.**

### **Status of Redevelopment Legislation**

**SB 986 (Dutton)**, as introduced on January 31, 2012, would make changes to ABX1 26 (Chapter 5, Statutes of 2011) to exclude bond proceeds from the remittance of unencumbered balances of a former Redevelopment Agency (RDA) to the county auditor-controller and permit a successor agency to enter into an enforceable obligation with respect to bond proceeds by December 31, 2014. The bill contains an urgency clause making it effective immediately, if passed by a two-thirds vote of the Legislature and signed by the Governor. Specifically, SB 986 would:

- Consider all bond proceeds generated by a former RDA to be encumbered;
- Prohibit a successor agency from remitting bond proceeds to the county auditor-controller;
- Require that the bond proceeds issued by a former RDA must be used by the successor agency for the purposes for which the bonds were sold pursuant to an enforceable obligation that was entered into either by the former RDA or by the successor agency by December 14, 2014;
- Require any bond proceeds, not subject to an enforceable obligation as of January 1, 2015, to be used to annul the bonds or to purchase outstanding bonds on the open market for cancellation;
- Require the oversight board to approve the establishment of an enforceable obligation with respect to bond proceeds; and
- Prohibit the oversight board from disapproving the establishment of an enforceable obligation with respect to bond proceeds if that obligation is reasonably in furtherance of the purposes for which the bonds were sold.

### **Preliminary Analysis of SB 986**

ABX1 26, as enacted on June 29, 2011, clearly outlines a process to expeditiously wind down the affairs of RDAs and contains key provisions that prohibit the creation of new obligations or debts and ensures that enforceable obligations are safeguarded as RDAs are dissolved and debt is retired. These provisions are intended to preserve the revenues and assets of RDAs to make certain that enforceable obligations, as defined

in ABX1 26, are paid and to allow local governments to use these revenues to fund core government services. Any change to define unencumbered bond proceeds as encumbered balances, as proposed in SB 986, would reduce the amount of property tax revenues remitted to county auditor-controllers for distribution to the taxing entities and prevent local governments from receiving revenues, which could be used to address critical local government needs.

County Counsel indicates that should successor agencies be allowed to enter into new enforceable obligations, as proposed in SB 986, local taxing entities would be negatively impacted. Existing law does not allow successor agencies to enter into new enforceable obligations. Thus, bond proceeds can only be used to either pay for work required by existing enforceable obligations, or if there is no work to be performed, to annul the bonds. To the extent the proceeds are not needed to annul the bonds, they are to be turned over to county auditor-controllers to be distributed to the affected taxing entities, including the County, as property tax revenue. Furthermore, to the extent there are unencumbered bond proceeds on hand, instead of using them to either annul the bonds or turn it over to county auditor-controllers, SB 986 would allow the successor agency to enter into new contracts pledging those bond proceeds, which would also reduce the amount of revenues distributed to taxing entities.

**The Chief Executive Office, Auditor-Controller, County Counsel, and Community Development Commission continue to review SB 986 to determine possible impact to the County.**

SB 986 is currently at the Senate Desk awaiting referral. There is no registered support or opposition on file.

#### **Status of County-Advocacy Legislation Introduced in 2011**

Under legislative rules, bills introduced in 2011 must move from their house of origin by January 31, 2012. The following County-advocacy bills failed to pass out of their respective houses of origin and are therefore not eligible for possible enactment in the current legislative session.

**County-support if amended AB 19 (Fong)**, which would require that effective January 1, 2014, water purveyors that provide water service to new multiunit residential structures or newly constructed mixed-use residential and commercial structures, including a structure that is part of a common interest development, to install water meters to measure water supply to each individual dwelling unit as a condition of new water service, was held in the Assembly Housing and Community Development Committee.

**County-opposed AB 550 (Huber)**, which as amended on January 4, 2012, would: 1) prohibit the construction of a peripheral canal from the Sacramento River to a point south of the Sacramento-San Joaquin Delta, unless expressly authorized by the Legislature; and 2) prohibit the construction and operation of a peripheral canal that diminishes water quality, failed in the Assembly Water, Park and Wildlife Committee by a vote of 5 to 7 on January 10, 2012.

**County-opposed unless amended AB 834 (Hernández)**, which would require the legislative body of a city, county, or district to: 1) review any contract totaling \$250,000 or more with a private party that contains an automatic renewal clause on or before the annual date by which the contract may be rescinded; and 2) make findings on the record, prior to the renewal of the contract, including, but not limited to, whether the contract contains updated information and whether the contract fits the needs of the legislative body, was held in the Assembly Local Government Committee.

**County-supported SB 166 (Steinberg)**, which would require health service plan contracts and health insurance policies to provide coverage for behavioral intervention therapy for pervasive development disorder or autism, was held in the Senate Health Committee. These provisions were subsequently amended into County-supported SB 770 (Steinberg), which was signed by the Governor on October 9, 2011.

**County-support and amend SB 184 (Leno)**, which would authorize the legislative body of any city or county to adopt ordinances to establish inclusionary housing requirements as a condition of development, and declare legislative intent in superseding the court ruling in *Palmer/Sixth Street Properties, L.P. v. City of Los Angeles (2009)*, to the extent that the opinion in the case conflicts with the bill, was held in the Senate inactive file.

**County-supported SB 480 (Vargas)**, which would: 1) prohibit the use of income or assets of a domestic violence abuser in determining eligibility for the victim when applying for CalWORKs and CalFresh benefits; 2) require counties to offer Welfare-to-Work requirement waivers when a person has identified themselves to be a victim of domestic violence; and 3) provide that Federal Work Participation Rate credit is assigned to the State for the provisions of these waivers, was held in the Senate Appropriations Committee.

**County-opposed SB 486 (Dutton)**, which would abolish the First 5 California and county First 5 commissions and redirect all future Proposition 10 revenues to the State General Fund for the Healthy Families and Medi-Cal Programs, was held in the Senate Health Committee.

**County-supported SB 515 (Corbett)**, which would: 1) require battery manufacturers, to submit a stewardship plan to the Department of Resources Recycling and Recovery (CalRecycle) for review; 2) prohibit a producer, wholesaler or retailer from selling household batteries unless CalRecycle certifies the submitted plan as complete; 3) allow a registered hazardous waste transporter to submit a plan complying with specified provisions; and 4) establish progressive collection goals for household batteries with proof of continuous meaningful improvement in the collection rate, was held in the Senate Appropriations Committee.

**County-supported SB 564 (Evans)**, which would require utilities to collaborate with, and seek comments from, county climate protection authorities or other public agencies authorized to implement regional or countywide climate protection and energy efficiency programs when developing or revising its energy efficiency program portfolio design to ensure that local and regional interests, multifamily dwellings, and energy service industry capabilities are incorporated into energy efficiency program portfolio design, was held in the Senate Energy, Utilities and Communications Committee.

### **Legislation of County Interest**

**AB 1571 (Donnelly)**, as introduced on February 1, 2012, would make it a felony for a person to intentionally engage in human trafficking and stipulates a State prison sentence for individuals convicted of human trafficking as well as sentence lengths and sentencing enhancements, if use or threatened use of force is used, the person smuggled is under 18 years of age, and/or if lewd or lascivious acts were committed on the smuggled person. The bill is currently in the Assembly awaiting committee assignment.

We will continue to keep you advised.

WTF:RA  
MR:KA:IGEA:sb

c: All Department Heads  
Legislative Strategist  
Local 721  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
City Managers Associations  
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